



6450-01-P

DEPARTMENT OF ENERGY

Western Area Power Administration

Boulder Canyon Project

AGENCY: Western Area Power Administration, DOE.

ACTION: Proposed Fiscal Year 2020 Boulder Canyon Project Base Charge and Rates for Electric Service.

SUMMARY: Western Area Power Administration (WAPA) is proposing the base charge and rates for fiscal year (FY) 2020 Boulder Canyon Project (BCP) electric service under Rate Schedule BCP-F10. The proposal would reduce the base charge 2.6 percent from \$69.7 million in FY 2019 to \$67.9 million for FY 2020. The reduction is primarily the result of an increase in revenue projections for the Hoover Dam visitor center and a decrease in WAPA's budget. The proposed base charge and rates would go into effect on October 1, 2019, and remain in effect through September 30, 2020. Publication of this *Federal Register* notice will initiate the public process.

DATES: The consultation and comment period begins today and will end **[INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**. WAPA will present a detailed explanation of the proposed FY 2020 base charge and rates at a public information forum that will be held on **[INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**, from 10:30 a.m. to 12:30 p.m. in Phoenix, Arizona. WAPA will also host a public comment forum held on **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**, from 10:30 a.m. to

12:30 p.m. in Phoenix, Arizona. WAPA will accept written comments any time during the consultation and comment period.

ADDRESSES: The public information forum and public comment forum will be held at WAPA's Desert Southwest Customer Service Regional Office, located at 615 South 43rd Avenue, Phoenix, Arizona 85009. Send written comments to Mr. Ronald E. Moulton, Regional Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, Arizona 85005-6457, or e-mail *dswpwrmrk@wapa.gov*. WAPA will post information concerning the rate process and written comments received on its website at <https://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>.

As access to WAPA facilities is controlled, any U.S. citizen wishing to attend a meeting held at WAPA must present an official form of picture identification (ID), such as a U.S. driver's license, U.S. passport, U.S. Government ID, or U.S. military ID, at the time of the meeting. Foreign nationals should contact Ms. Tina Ramsey, Rates Manager, Desert Southwest Region, Western Area Power Administration, at (602) 605-2565 or e-mail at *dswpwrmrk@wapa.gov* in advance of a meeting to obtain the necessary form for admittance to the Desert Southwest Customer Service Regional Office.

FOR FURTHER INFORMATION CONTACT: Ms. Tina Ramsey, Rates Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2565, or *dswpwrmrk@wapa.gov*.

SUPPLEMENTARY INFORMATION:

Hoover Dam,¹ authorized by the Boulder Canyon Project Act of 1928, as amended (43 U.S.C 617 *et seq.*), sits on the Colorado River along the Arizona-Nevada border. Hoover Dam's power plant has 19 generating units (two for plant use) and an installed capacity of 2,078.8 megawatts (4,800 kilowatts for plant use). In collaboration with the Bureau of Reclamation (Reclamation), WAPA markets and delivers hydropower from Hoover Dam's power plant through high-voltage transmission lines and substations to Arizona, Southern California, and Southern Nevada.

The rate-setting methodology for BCP calculates an annual base charge rather than a unit rate for Hoover Dam hydropower. The base charge recovers an annual revenue requirement that includes projected costs of investment repayment, interest, operations, maintenance, replacements, payments to States, and Hoover Dam visitor services. Non-power revenue projections such as water sales, Hoover Dam visitor revenue, ancillary services, and late fees help offset these projected costs. Customers are billed a percentage of the base charge in proportion to their Hoover power allocation. A unit rate is calculated for comparative purposes but is not used to determine the charges for service.

On June 6, 2018, the Federal Energy Regulatory Commission (FERC) confirmed and approved Rate Schedule BCP-F10 for a five-year period ending September 30, 2022.² Rate Schedule BCP-F10 and the BCP Electric Service Agreement require WAPA to determine the annual base charge and rates for the next fiscal year before October 1 of each year. The FY 2019 BCP base charge and rates expire on September 30, 2019.

¹ Hoover Dam was known as Boulder Dam from 1933 to 1947, but was renamed Hoover Dam by an April 30, 1947, joint resolution of Congress.

² Order Confirming and Approving Rate Schedule on a Final Basis, FERC Docket No. EF18-1-000, 163 FERC ¶ 62,154 (2018).

Comparison of Base Charge and Rates

	FY 2019	FY 2020	Amount Change	Percent Change
Base Charge (\$)	\$69,741,657	\$67,929,402	- \$1,812,255	- 2.6
Composite Rate (mills/kWh)	18.92	19.64	0.72	3.8
Energy Rate (mills/kWh)	9.46	9.82	0.36	3.8
Capacity Rate (\$/kW-Mo)	\$1.88	\$1.83	-\$0.05	-2.6

Reclamation's FY 2020 budget is increasing by \$4.3 million to \$76.3 million, a 6 percent increase from FY 2019. Higher operations and maintenance expenses (\$2.2 million) and replacement costs (\$1.4 million) account for most of this increase. The primary drivers of these increases include higher salaries and higher security, hardware, software, and project costs. The rate impact of these increases to Reclamation's budget are offset by an increase in non-power revenue projections (\$5.1 million), primarily resulting from the resumption of typical revenues following completion of the Hoover Dam visitor center renovations, and prior year carryover (\$400,000).

WAPA's FY 2020 budget is decreasing \$600,000 to \$8.7 million, a 6.5 percent reduction from FY 2019, due to a reduction in dispatching and substation maintenance expenses (\$400,000) and a decrease in replacement costs (\$200,000).

Although the base charge is decreasing, projections for the FY 2020 composite and energy rates are increasing 3.8 percent due to a forecast of poor hydrological conditions. Capacity projections, which will be updated June 1, 2019, currently reflect a 2.6 percent reduction.

This proposal, to be effective October 1, 2019, is preliminary and subject to change based on modifications to forecasts before publication of the final base charge and rates.

Legal Authority

The proposed action constitutes a major rate adjustment as defined by 10 CFR 903.2(e). Pursuant to 10 CFR 903.15 and 903.16, WAPA will hold public information and public comment forums for this rate adjustment. WAPA will review and consider all timely public comments and adjust the proposal, as appropriate, at the conclusion of the consultation and comment period.

WAPA is establishing rates for BCP electric service in accordance with section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This provision transferred to, and vested in, the Secretary of Energy certain functions of the Secretary of the Interior, along with the power marketing functions of Reclamation. Those functions include actions that specifically apply to the BCP.

By Delegation Order No. 00-037.00B, effective November 19, 2016, the Secretary of Energy delegated: (1) The authority to develop power and transmission rates to WAPA's Administrator; (2) the authority to confirm, approve, and place into effect such rates on an interim basis to the Deputy Secretary of Energy;³ and (3) the authority to confirm, approve and place into effect on a final basis, or to remand or disapprove such rates, to FERC.

Availability of Information

All studies, comments, letters, memorandums, and other documents WAPA prepares or uses to develop the proposed base charge and rates will be available for inspection and copying at the Desert Southwest Customer Service Regional Office, Western Area Power Administration, located at 615 South 43rd Avenue, Phoenix, Arizona 85009. Many of these documents and

³ Notwithstanding the delegating paragraph 1.2's statement that "[t]his authority may not be redelegated," in subparagraph 1.18 A. of Delegation Order No. 00-002.00Q, effective November 1, 2018, the Secretary of Energy also delegated to the Under Secretary of Energy the authority to confirm, approve, and place into effect on an interim basis power and transmission rates for WAPA.

supporting information are available on WAPA's website at

<https://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>.

RATEMAKING PROCEDURE REQUIREMENTS

Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969, (42 U.S.C. 4321 *et seq.*), the regulations of the Council on Environmental Quality implementing NEPA (40 CFR parts 1500-1508), and DOE's NEPA Implementing Procedures and Guidelines (10 CFR part 1021), WAPA is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

Determination under Executive Order 12866

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: March 29, 2019.

Mark A. Gabriel,

Administrator.

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